

# SUMMARY

## Overview of the distribution and listing of Concentric

### Background and reasons

On July 16, 2010, Haldex announced its intention to reorganize the Hydraulic Systems division into a separate group and to distribute the new parent company, Concentric, to the shareholders of Haldex, as well as to list the Company on NASDAQ OMX Stockholm. The Boards of Directors of Haldex and Concentric assess that Concentric has now achieved such size and profitability that the Company will have better opportunities as a separate listed entity, with its own independent access to capital and freedom to implement its strategy. With a strong investment case, Concentric has the potential to become an attractive investment proposition for current and new investors. The Board of Directors of Haldex is therefore proposing that the shareholders of Haldex resolve at the Annual General Meeting to be held on June 8, 2011, to distribute all the shares in Concentric to the shareholders of Haldex through a dividend distribution. Under the "Lex ASEA" rules, the distribution of the shares in Concentric is tax-exempt in Sweden for both Haldex and the shareholders in Haldex. It is proposed that the shares shall be distributed in proportion to each individual shareholder's holding in Haldex. Shareholders will receive one share in Concentric for every share held in Haldex.

### Record date

The Board of Directors of Haldex has proposed that the Annual General Meeting on June 8, 2011 authorizes the Board to determine the record date at Euroclear Sweden (the Swedish Central Securities Depository) for determining who is entitled to receive shares in Concentric. However, it is the intention of the Board to set the record date to June 13, 2011.

### Listing

The shares in Concentric are expected to be listed and traded on NASDAQ OMX Stockholm commencing on or about June 16, 2011. Shareholders in Haldex will receive shares in Concentric without having to take any action.

## Overview of Concentric

Concentric produces and sells a range of products, based on its core technical competence in pumps, to OEMs (*Original Equipment Manufacturers*). The main products are oil pumps, water pumps, fuel transfer pumps and hydraulic pumps. Core products are developed together with customers, to provide custom solutions to their specific flow and pressure requirements. A typical product gestation period

is 2–3 years, and a typical product life is 10 years. The OEM customers are spread globally, and their products serve a range of end markets. Concentric's solutions allow its customers to achieve their goals on fuel economy, emissions reduction and noise control.

At year end 2010 Concentric had a total of 1,156 employees at its sites in China, Germany, India, United Kingdom, United States and Sweden.

## Market

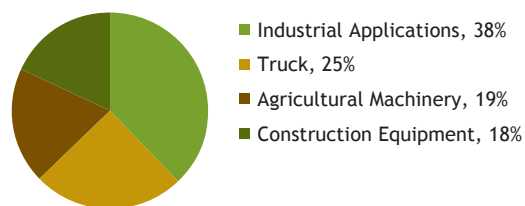
Pumps are used in a very wide variety of end markets, and the basic concept of a pump has been adapted for use in many different applications. Within Concentric's end markets, pump companies continue to refine the technology of their products, producing more specialized pumps to increase performance in specific applications. Traditional mechanical oil pumps and water pumps, are evolving into infinitely variable flow versions, via hydraulic or electronic control, thereby offering power savings, improved engine fuel efficiency, more accurate temperature stabilization and overall reduced emissions and noise.

One of the main drivers in this market is the desire to reduce the impact of society on the environment, specifically to cut emissions of CO<sub>2</sub> (carbon dioxide) and other gases. The regulation has moved at different speeds in different regions, but in general North America and Europe have more developed regulation, and tighter emission standards than developing economies such as the so called BRIC group (Brazil, Russia, India and China). Concentric develops, together with its European and North American customers, pump solutions to allow its customers to improve the performance of their machinery and increase fuel efficiency, reduce emissions, and noise.

Another strong trend affecting the market is the continued strong investment in infrastructure of developing countries, in particular the BRIC countries. This is increasing demand for Concentric products in all major end markets and, as a global supplier, with a local presence and production in India and China, Concentric will continue to benefit from the higher than average economic growth of these economies.

Concentric supplies its solutions to customers in a wide range of end markets that it groups in to four main end-use applications: industrial applications, trucks, agricultural machinery and construction equipment. Hydraulic pumps and power packs are supplied directly to machinery and vehicle builders, engine pumps are supplied to diesel engine manufacturers who supply the same machinery manufacturers.

## Concentric's 2010 sales by end market

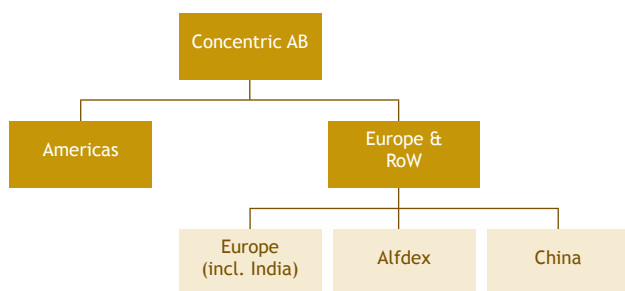


Note: Based on Concentric's sales by direct customer and management estimates of those customers end markets

## Operations

Concentric has a global manufacturing presence, supported by central support and development functions. The Group is organized on the basis of its two geographical segments, **the Americas** and **Europe and Rest of World (RoW)**, with a regional focus on two main product groups, namely engines and hydraulics.

### Overview operational structure



In the Americas the main production site for hydraulics products is Rockford (United States), and for engine products Itasca (United States) and Rockford. In Europe and RoW the main production sites for hydraulics products are Skånes Fagerhult (Sweden), Hof (Germany), Suzhou (China) and Pune (India), and for engine products Birmingham (United Kingdom), Hof, Landskrona (Sweden), Pune and Suzhou.

On the engine products side, where Concentric is a Tier 1 supplier to engine manufacturers and large truck manufacturers, the Group offers products for diesel engines, used for pumping lubricating oil, coolants and diesel fuel. Alfdex, a joint venture with Alfa Laval, produces oil mist separators.

On the hydraulic products side, Concentric offers a broad range of both gear and gerotor pumps together with hydraulic power packs and high-density hydraulic hybrid systems for a wide range of industrial vehicle and diesel-engine installations. Concentric is a Tier 1 supplier to manufacturers of construction machinery, forklifts, tail lifts and agricultural machinery.

Concentric had 724 active customers in 2010, operating in very diverse end-markets. Major customers include diesel engine makers such as Cummins, Deutz and Perkins, and major truck companies such as IVECO, Volvo and Scania. The top 10 customers contributed 64 percent of the Group's net sales for 2010.

The global market for hydraulic pumps is very diverse with several large players, such as Bosch Rexroth, Parker Hannifin, Eaton and Sauer Danfoss, as well as regional competitors, such as Shimadzu and Kayaba in Japan, HVE in Europe and HPI in the United States. Concentric tends to compete with these companies only in certain niches. The market for pumps for diesel engines is more easily defined, with a few large suppliers in each region. Concentric is the only global company and competes against a number of regionally focused companies.

## Business mission, goals and strategies

Concentric's mission is to be a global leader specialising in engines and hydraulics, delivering custom solutions in application niches where Concentric adds value to the customer's products.

Concentric's vision is to remain the global industry leader providing innovative energy saving technology via a global manufacturing footprint adjacent to its customers.

Concentric's long-term target is to achieve a compound annual organic growth in sales of 7 percent and an EBIT margin of 11 percent over a business cycle. Net debt to equity should be less than one.

Concentric's Board of Directors will seek to provide shareholders with a good dividend yield, and to adjust the level of dividend to Concentric's strategy, financial position and other financial goals and risks that the Board deems relevant. Concentric's dividend policy provides that, in the long term, the annual dividend, taking into consideration the above, should correspond to approximately one-third of the Group's net income for the financial year.

Concentric's strategy is to maintain its position as a leading company in both engines and hydraulics, to allow it to take full advantage of strong market growth, driven by global infrastructure investment and tighter regulation of emissions. The strategy will focus on profitability of new sales, and may include acquisitions that are complementary to existing product categories.

## Financial development in brief

Below is a summary of Concentric's financial development during the years 2008 – 2010 and during the periods January – March 2010 and 2011. Concentric has recovered strongly after the global recession, having taken measures to restore profitability and position the Company for profitable growth. Due to the nature of certain restructuring measures, the Company shows its results both including and excluding costs of a one-off nature, referred to as items affecting comparability. Pro forma tables are presented in "Pro forma financial information" to show the effects on net financial items and taxes of Concentric becoming a standalone entity.

## Summary statement of income

| Amounts in SEK m  | 2011 <sup>1)</sup> | 2010 <sup>1)</sup> | 2010 <sup>2)</sup> | 2009 <sup>2)</sup> | 2008 <sup>3)</sup> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | Jan-Mar            | Jan-Mar            | Full year          | Full year          | Full year          |
| Net Sales   | 554                | 427                | 1,977              | 1,406              | 2,095              |
| Operating income/loss   | 58                 | (10)               | 109                | (116)              | 105                |
| Operating income before items affecting comparability <sup>4)</sup> | 66                 | 13                 | 151                | (79)               | 114                |
| EBITDA before items affecting comparability <sup>4)</sup>           | 84                 | 36                 | 252                | 28                 | 220                |

<sup>1)</sup> Combined quarterly interim report for the Concentric Group

<sup>2)</sup> Combined annual financial statements for the Concentric Group

<sup>3)</sup> Presented as reported in the segmental disclosure of Haldex annual report

<sup>4)</sup> See "Items affecting comparability" on page 29 for further explanation

## Key Ratios

|  | 2011    | 2010    | 2010      | 2009      | 2008      |
|--|---------|---------|-----------|-----------|-----------|
|  | Jan-Mar | Jan-Mar | Full year | Full year | Full year |
| Sales growth, like for like, % <sup>1)</sup>               | 41.0%   | 19%     | 53%       | (45%)     |           |
| Operating margin before items affecting comparability, %   | 11.9%   | 3.0%    | 7.6%      | (5.6%)    | 5.4%      |
| Operating margin, %  | 10.4%   | (2.3%)  | 5.5%      | (8.2%)    | 5.0%      |
| ROCE before items affecting comparability, % <sup>2)</sup> | 16.5%   | (1.5%)  | 12.1%     | (4.4%)    |           |
| ROCE, % <sup>2)</sup>                                      | 14.4%   | 6.0%    | 8.8%      | (6.7%)    | 8.2%      |
| Working capital as a % of sales <sup>2)</sup>              | 1.2%    | (5.1%)  | (2.2%)    | (1.8%)    | (1.2%)    |

<sup>1)</sup> Sales adjusted for currency fluctuation and divested operation and acquisitions

<sup>2)</sup> Annualised basis

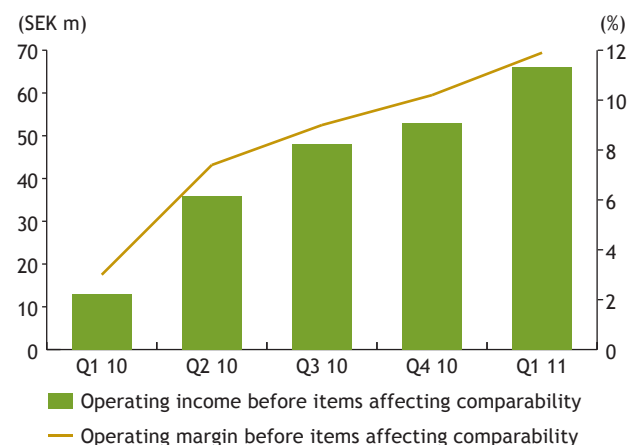
Concentric has shown consistent performance in recent quarters, and there have not been significant restructuring costs since the second quarter 2010. Items affecting comparability in the first quarter 2011 refer to duplication of certain central functions arising from the proposed separation of Concentric from Haldex.

## Quarterly trend

| Amounts in SEK m   | 2011  |       | 2010 |      |        |
|--|-------|-------|------|------|--------|
|  | Q1    | Q4    | Q3   | Q2   | Q1     |
| Net sales  | 554   | 520   | 537  | 493  | 427    |
| Operating income/loss                                    | 58    | 53    | 48   | 17   | (10)   |
| Operating margin, %                                      | 10,4% | 10,2% | 9,0% | 3,5% | (2,3%) |
| Items affecting comparability <sup>1)</sup>              | 8     | -     | -    | 19   | 23     |
| Operating income before items affecting comparability    | 66    | 53    | 48   | 36   | 13     |
| Operating margin before items affecting comparability, % | 11,9% | 10,2% | 9,0% | 7,4% | 3,0%   |

<sup>1)</sup> See "Items affecting comparability" on page 29 for further explanation

## Quarterly trend



## Summary pro forma information

| Statement of income | 2011    | 2010      |
|---------------------|---------|-----------|
| Amounts in SEK m    | Jan-Mar | Full year |
| Operating income    | 66      | 109       |
| Net financial items | (3)     | (20)      |
| Income before tax   | 63      | 89        |
| Taxes               | (20)    | (27)      |
| Net income          | 43      | 62        |
| Operating margin, % | 11.9%   | 7.6%      |
| EPS, SEK            | 0.97    | 1.40      |

## Balance sheet

| Balance sheet                   | 2011    |
|---------------------------------|---------|
| Amounts in SEK m                | Jan-Mar |
| Fixed assets                    | 1,065   |
| Working capital                 | 8       |
| Net debt                        | 282     |
| Equity                          | 722     |
| Working capital as a % of sales | 0.4%    |
| Net debt / equity ratio, %      | 39.0%   |

## Significant trends and changes

Concentric performed strongly in the first quarter of 2011. There have been no significant changes in Concentric's financial or market position since the publication on the interim report for the period January – March 2011.

Based on its strategy, the Company aims to outgrow its market, via new product introduction to meet tightening emissions requirements, and further penetration of developing economies.

## Risk factors

A number of factors affect or may in the future affect the operations of Concentric, both those directly related to Concentric and those that relate indirectly. Some of the risk factors

considered significant to Concentric's future development are summarised below, in no relative order:

Industry and market risks (impact of the economy, competition and price pressure, customers, raw materials and prices of raw materials), company-related and operational risks (production, product development, complaints, products recalls and product liability, restructuring, legislation and regulation, intellectual property rights, environmental risks, tax risks, specific U.S. tax risk, disputes, financing risk, interest rate risk, exchange rate risks, credit risks, changes in value of fixed assets, and pension obligations) and stock market risks (share price, increased expenses as an independent listed company, and future dividends).

#### **Board of Directors, senior management and auditor**

Concentric's Board of Directors comprises Stefan Charette (Chairman), Marianne Brismar, Kenth Eriksson, Joakim Olsson, Martin Sköld and Claes-Magnus Åkesson. The senior executives are Ian Dugan, (President and Chief Executive Officer), David Bessant (Chief Financial Officer), Len Mason (Head of Region Americas), David Woolley (Head of Region Europe and RoW), David Williams (Head of Engine Engineering and Development), Bill Pizzo (Head of Hydraulics Engineering and Development), Melissa Dunn (Head of HR) and Brian Nelson (Head of Strategy). The Company's auditor is Öhrlings PricewaterhouseCoopers AB. For more information on the Company's Board members, senior executives and auditor, see "Board of Directors, senior management and auditor" on page 61.

President and CEO Ian Dugan has announced that he will be stepping down after the listing, once a successor has been appointed.

#### **Financial advisor**

Lazard is the financial advisor of Haldex in connection with the contemplated distribution of the shares in Concentric to the shareholders of Haldex and the listing of the shares on NASDAQ OMX Stockholm.

#### **Major shareholders and related party transactions**

At the time of the distribution, the ownership structure of Concentric will be identical to that of Haldex. As at April 29, 2011, Haldex's largest shareholder was Investment AB Öresund, holding 12.3 percent of the shares and votes in Haldex. For more information, see "Ownership structure" on page 70. For information regarding related party transactions, see "Legal issues and supplementary information" on page 73.